

The complaint

Miss G complains Shawbrook Bank Limited (Shawbrook) failed to carry out thorough enough affordability checks before it approved a loan for her.

What happened

Miss G says Shawbrook approved a loan for her in July 2020 for £12,000 over five years for debt consolidation purposes. Miss G says Shawbrook failed to carry out reasonable financial affordability checks before it approved the loan and if it had it would have seen the loan was unaffordable. Miss G says by approving the loan Shawbrook made her financial situation worse and has impacted her mental wellbeing.

Miss G wants Shawbrook to refund all interest and charges on the loan and remove any adverse entries on her credit file relating to that loan, and also to pay her compensation for the stress and worry this has caused her.

Shawbrook says before approving the loan it carried out various checks in line with its regulatory obligations using information declared by Miss G on her credit application, data from external sources and industry standard tools to support its assessment of her credit worthiness. Shawbrook says the application was also overseen by one of its credit underwriters. Shawbrook says it used external sources to verify Miss G's income of £44,400 per annum and relied upon industry standard data to assess Miss G's outgoings including any existing financial commitments she had at the time.

Shawbrook says from its financial checks, there were no obvious signs of any financial pressure, with no CCJ's or defaults recorded against Miss G at the time of the loan approval and the new borrowing looked affordable.

Miss G wasn't happy with Shawbrook's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator pointed out there are no set list of checks lenders must carry out before approving any lending but these should be borrower focused.

The investigator says from the information he had seen at the time of the application, there was no evidence of any arrears, defaults or CCJ's and all of Miss G's credit accounts were up to date. The investigator says he calculated Miss G's net monthly income based on what she had declared amounting to around £3,000 per month after usual deductions, and Shawbrook's affordability assessment used this along with estimated and declared monthly expenditure to calculate affordability.

The investigator says based on Miss G's existing outstanding debts at that time, which were to be repaid using the new consolidation loan, this amounted to a monthly cost of around £674 per month, meaning the new borrowing Shawbrook approved would reduce her credit repayments by approximately £400 per month.

The investigator felt Shawbrook's checks were reasonable and proportionate and he couldn't

see any evidence to say the lending was unfair. Miss G didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn Miss G is now under some financial pressure and I can understand this must be a difficult time for her. When looking at this complaint I will consider if Shawbrook carried out reasonable and proportionate checks before it approved the consolidation loan for Miss G in July 2020.

Miss G's complaint centres around her view Shawbrook acted irresponsibly when it approved the consolidation loan in July 2020, as it hadn't carried out thorough enough affordability checks. Miss G says she had a previous consolidation loan outstanding at the time which should have been a warning to Shawbrook of her financial position, and that while it had relied upon her gross income, she was actually reliant on friends and family to support her.

Miss G says Shawbrook failed to take into account her car loan expense, and she wasn't able to afford the new loan commitment. Miss G also refers to previous similar complaints upheld by this service, but even so I can't consider these as each case is considered on its own individual merits. So while I understand the points Miss G has made here, I'm not fully persuaded by her argument and I will go on to explain why.

As the investigator has pointed out there are no set list of checks lenders like Shawbrook must carry out before approving credit facilities, but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell Shawbrook what those checks must consist of, or from what sources those checks should come from.

The first thing to say here is that the purpose of this loan was to consolidate Miss G's existing debts and Shawbrook's assessment of affordability would have taken this into account. It's also fair to say the intention here wasn't to create additional debt, but rather to replace existing external higher cost lending, which in turn should've improved Miss G's monthly outgoings on her overall credit commitments.

Here, before Shawbrook approved the loan it carried out credit searches, income and expenditure assessments and referenced information contained in Miss G's application, in which she declared she was employed earning circa £44,400 per annum. Based on what I have seen, there was no indication of any external financial pressure nor any indication on her credit file of defaults, CCJ's or recent missed payments, that might prompt further financial information required from Miss G.

From the information I have seen Shawbrook relied upon data from external credit reference agencies and used industry accepted income and expenditure verification tools to assess affordability here, and this application was also overseen by one of its credit underwriters. I am satisfied from what I have seen Miss G's other credit commitments such as her mortgage payments and the car loan to which she refers, were taken into account as part of Shawbrook's overall affordability modelling. So, on balance I am satisfied the checks Shawbrook carried out were reasonable and proportionate.

Here, if Miss G cleared all of the revolving credit debt she had outstanding with this new loan as intended, that would have created further savings each month of approximately £550. This is calculated by using a figure of 5% on her outstanding revolving debt balance of around £11,400, which is the amount of debt in her name that I could see from the credit report provided to this service. This compares to the new loan cost of £274 per month and of course crucially it would start to reduce the indebtedness Miss G had overall.

It's also worth saying from what I can see, Miss G's other debts outstanding at the time included a consolidation loan which Miss G has referred to, with a final payment of £371 due at around the time the new loan payments would commence. So while I understand Miss G refers to this loan being outstanding at the time of her application, this was about to be repaid and in fact would mean in total Miss G's credit outgoings would then reduce by approximately £645 per month including the monthly payment for the new loan.

It's also worth adding that it would be unlikely that Shawbrook's credit checks would have highlighted the purpose of this particular loan, only that it was repaid in full and on time each month for the previous three years.

While I understand Miss G says she was reliant on friends and family for financial support, I can't see how that would have been known by Shawbrook based on the checks it carried out, which as I have said earlier I am satisfied were reasonable and proportionate. Taking everything into account and on balance I am satisfied the new borrowing for consolidation purposes would have improved Miss G's financial outgoings and Shawbrook's decision to lend at that time was fair.

I've also considered whether Shawbrook acted unfairly or unreasonably in some other way given what Miss G has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case. While Miss G will be disappointed with my decision, I won't be asking anymore of Shawbrook here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 2 February 2026.

Barry White
Ombudsman